

Abstract:

This paper investigates how politics influence judicial outcomes from the perspective of corporate litigations. First, we find that firms and individuals receive lower monetary and non-monetary penalties if a Judge from the political party that they support rules the case. This relationship is stronger for individual respondents than firm respondents, suggesting that politics plays an even bigger role when an actual person is involved. Second, we find that firms that make political contributions in general enjoy significantly lower monetary penalties than firms that do not make political contributions. Conditional on non-zero political contributions, Democrat firms receive lower monetary penalties than Republican firms holding all else equal. Third, Republican Judges tend to sentence higher non-monetary penalties than Democrat Judges, but they do not differ significantly on monetary penalties. In addition, the overall political environment moderates our findings. If the president in office is Republican, the effect of political contributions on reducing monetary penalties is even stronger, and the tendency that Republican Judges have towards higher non-monetary penalties is more evident.